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C O N F I D E N T I A L DUBAI 2696

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SUBJECT: IRANIANS EAGER TO JOIN THE INFORMATION AGE, BUT
TEHRAN HAS SECOND THOUGHTS

11. (U) CLASSIFIED BY ACTING CONSUL GENERAL JOHN LANCIA FOR
REASONS 1.5 (B) AND (D).

12. (C) SUMMARY: IRANIAN USE OF THE INTERNET AND CELLULAR
COMMUNICATION IS RAPIDLY EXPANDING AND THE TREND LOOKS SET
TO CONTINUE. CONOFF SPOKE WITH A SOFTWARE ENGINEER AND AN
INTERNET/TELECOM COMPANY OWNER IN MAY ABOUT IRANIAN USE OF
THE INTERNET AND MOBILE PHONES. THEY INDICATED THAT BOTH
BUSINESSES ARE GROWING STEADILY DESPITE IRAN'S POOR
INFRASTRUCTURE. THE REGIME, HOWEVER, MAY BE HAVING SECOND
THOUGHTS ABOUT THE FREE FLOW OF INFORMATION. IN MID-MAY
TEHRAN TOOK MEASURES TO CURTAIL ACCESS TO SOME WEBSITES IT
DEEMS IMMORAL OR THAT DISSEMINATE ANTI-REGIME POLITICAL AND
SOCIAL VIEWS, BUT THEIR EFFORTS MAY PROVE FUTILE. CONOFF
POLLED IRANIAN VISA APPLICANTS IN MAY AND JUNE ABOUT THE
IMPACT OF THE GOVERNMENT FILTERING AND FOUND MOST
INTERVIEWEES' USE OF THE INTERNET UNAFFECTED BY THE NEW
MEASURES. MOST OF THOSE SURVEYED SAID THAT FILTERING MAY
PREVENT THEM FROM LOOKING UP SPECIFIC SITES ASSOCIATED WITH
PROMINENT IRANIAN DISSIDENTS OR PRO-REFORM NEWSPAPERS, BUT
IT WAS HAVING LITTLE IMPACT ON THEIR ABILITY TO GET NEWS
ABOUT CURRENT EVENTS IN IRAN, WHICH FOR THEM WAS MORE
IMPORTANT. END SUMMARY.

IRANIANS LINING UP TO DIAL UP

13. (C) URBAN IRANIANS ARE CLAMORING TO BE CONNECTED TO THE
INTERNET AND IRANIAN BUSINESSES ARE STEPPING IN TO MEET THE
RISING DEMAND, ALTHOUGH NOT WITHOUT OBSTACLES. CONOFF SPOKE
WITH A SOFTWARE ENGINEER AND THE OWNER OF A SMALL INTERNET
COMPANY IN TEHRAN IN MAY TO GAIN INSIGHTS INTO IRAN'S LEAP
INTO THE GLOBAL INFORMATION AGE. ACCORDING TO THE U.S.-
TRAINED SOFTWARE ENGINEER, IRAN'S INTERNET SERVICES ARE
DOMINATED BY A HANDFUL OF LARGE COMPANIES, ALTHOUGH A
NUMBER OF SMALL COMPANIES ARE SURVIVING DUE TO SHEER DEMAND
VOLUME. THE ENGINEER SPECIFICALLY MENTIONED PARS ONLINE,
WHICH IS PATTERNED AFTER U.S.-BASED AMERICA ONLINE, AS ONE
OF THE BIGGEST AND MOST RELIABLE PROVIDERS OF INTERNET
SERVICES IN IRAN. THE OWNER OF A SMALL INTERNET COMPANY IN
IRAN SHARED HIS VIEWS ON THE BUSINESS ENVIRONMENT FACING
TELECOM COMPANIES IN IRAN. HE SAID HIS COMPANY WAS ONE OF
HUNDREDS IN TEHRAN THAT WAS SEEKING TO CAPITALIZE ON THE
BOOM IN INTERNET, CELLULAR, AND CALLING CARD SERVICES IN
IRAN. HOWEVER, HE LAMENTED THE LACK OF PRIVATIZATION WITHIN
THE INDUSTRY, FOREIGN COMPETITION WITHIN THE MARKETPLACE,
AND THE SLOW PACE WITH WHICH IRANIAN INSTITUTIONS WERE
ADAPTING TO LARGE-SCALE USE OF THE INTERNET. FOR EXAMPLE,
HE SAID THAT IRAN HAS NO E-COMMERCE CAPABILITY, WHICH
PREVENTS IRANIAN BUSINESSES FROM ADVERTISING AND
CAPITALIZING ON THE HUGE GROWTH IN INTERNET USE. HE
CONTINUED BY SAYING THAT IRANIAN BANKS KNOW OF THE
TECHNOLOGY, BUT WERE SLOW TO ADAPT, RESULTING IN THE LOSS
OF MILLIONS OF DOLLARS OF POTENTIAL REVENUE.

14. (C) FOR MOST IRANIANS ACCESS TO THE INTERNET IS EASY,
ESPECIALLY AMONG THE YOUNG, AND IT IS STEADILY GAINING
ACCEPTANCE AMONG ALL LEVELS OF SOCIETY. ACCORDING TO THE
SOFTWARE ENGINEER THE FIRST STEP INVOLVES BUYING A PREPAID
INTERNET CARD, WHICH ALLOWS IRANIANS TO DIAL UP FROM ANY
CONNECTED PC AND GAIN ACCESS. THE CHARGE IS RELATIVELY
CHEAP FOR IRANIANS, ACCORDING TO SEVERAL STUDENTS CONOFF

SPOKE WITH IN JUNE, RUNNING BETWEEN 2000 TO 4500 IRANIAN RIALS (IRR) PER HOUR (.24 TO .55 USD WITH 1 USD = 8170 IRR AS OF 23 JUNE 2003). BOTH THE ENGINEER AND THE INTERNET BUSINESS OWNER ESTIMATE THAT THERE ARE APPROXIMATELY 2 MILLION INTERNET USERS IN TEHRAN. BOTH SAID THAT IRAN'S TELECOMMUNICATIONS AUTHORITIES ARE PLANNING FOR A SURGE OF UP TO 20 MILLION USERS NATIONWIDE WITHIN THE NEXT FIVE YEARS.

15. (C) THE BOOM IN INTERNET SERVICE IS HAVING AN EFFECT ON RELATED BUSINESS SECTORS, SUCH AS COMPUTER SALES. THE SOFTWARE ENGINEER SAID THAT BUSINESS OPPORTUNITIES ABOUND IN THE COMPUTER FIELD, SPURRED BY IRANIANS' DESIRE TO BE CONNECTED TO THE WORLD. HE CONTINUED BY SAYING THAT THE TREND IN GOVERNMENT AND INDUSTRY IS TO COMPUTERIZE, AND SIGNIFICANT FUNDS ARE BEING SPENT TO MODERNIZE ALTHOUGH THE PROCESS IS MOVING SLOWLY. FOR EXAMPLE, AN EMPLOYEE OF IRAN'S CENTRAL BANK SAID THAT CURRENTLY THERE WAS NO COMPUTER SYSTEM ALLOWING THE CENTRAL BANK OR OTHER BANKS IN TEHRAN TO COMMUNICATE WITH BRANCHES IN OTHER CITIES. THIS SHORTFALL SEVERELY LIMITS THE CENTRAL BANK'S AUDITING CAPABILITY, AND THE BANK'S MANAGEMENT HOPES COMPUTERIZATION MAY SOLVE THE PROBLEM. THE ENGINEER WENT ON TO SAY THAT PERSONAL COMPUTERS WERE WIDELY AVAILABLE IN IRAN. MOST SYSTEMS RELIED ON IMPORTED PARTS, WHICH WERE THEN ASSEMBLED IN IRAN. HE ESTIMATED THE COST OF A COMPUTER TO BE ROUGHLY 4.1 MILLION IRR (APPROXIMATELY 500 USD WITH \$1=8170 IRR AS OF 23 JUNE 2003), NOT ENTIRELY OUT OF REACH FOR MIDDLE CLASS IRANIANS. HE INDICATED THAT GETTING SPECIALIZED EQUIPMENT, LIKE NOTEBOOK COMPUTERS, WAS MORE DIFFICULT, BUT A LOT OF COMPUTER EQUIPMENT FROM ASIAN MANUFACTURERS IN KOREA, CHINA, AND JAPAN IS FLOWING INTO IRANIAN MARKETS.

REGIME, OTHER OBSTACLES IMPEDE THE FLOW OF INFORMATION

16. (U) TEHRAN'S EFFORTS AT CENSORSHIP OF THE INTERNET APPEAR TO BE ON THE RISE. IRAN'S MINISTRY OF POST, TELEPHONE, AND TELEGRAPH (MPTT) BEGAN FILTERING THE FIRST OF AS MANY AS 15,000 WEBSITES ON 10 MAY, ACCORDING TO IRANIAN PRESS. THE FILTERING BEGAN FOLLOWING A DECREE FROM IRAN'S SUPREME CULTURAL REVOLUTION COUNCIL, WHICH FORMED A THREE MEMBER PANEL COMPRISED OF THE INTELLIGENCE MINISTRY, MINISTRY OF ISLAMIC CULTURE AND GUIDANCE, AND THE NATIONAL BROADCASTING AUTHORITY TO IDENTIFY PROHIBITED WEBSITES. MINISTER OF THE MPTT, SEYYED AHMAD MO'TAMEDI, SAID IN MID-MAY THE REASON FOR THE FILTERING WAS TO PREVENT ACCESS TO IMMORAL SITES AND TO PREVENT THE DISSEMINATION OF ANTI-REGIME POLITICAL AND SOCIAL VIEWS VIA THE INTERNET. HOWEVER, DURING THE FIRST ROUND OF FILTERING A NUMBER OF DOMESTIC- AND FOREIGN-BASED NEWS SITES WERE SHUT DOWN, ACCORDING TO THE PRESS. INCLUDED AMONG THESE WERE POPULAR PRO-REFORM SITES SUCH AS EMROOZ, ASR-E NOW, AND AFTAB; SITES ASSOCIATED WITH SOME OF IRAN'S MOST WELL KNOWN DISSIDENTS SUCH AS DARIUSH FORUHR AND AYATOLLAH HOSSEIN ALI MONTAZERI; AND SOME WESTERN-BASED PERSIAN LANGUAGE SITES INCLUDING RADIO FARDA AND RADIO LIBERTY.

17. (C) DESPITE THE REGIME'S STEPS TO BLOCK INTERNET ACCESS THEIR EFFORTS MAY ULTIMATELY PROVE FUTILE. ACCORDING TO SEVERAL STUDENTS AND PROFESSIONALS CONOFF SPOKE WITH IN LATE MAY AND JUNE, THE NEW, STRONGER GOVERNMENT FILTERS DEAL SPECIFICALLY WITH POLITICAL AND NEWS SITES TEHRAN VIEWS AS ESPOUSING ANTI-REGIME MESSAGES. MOST INTERVIEWEES CITED FEW PROBLEMS IN GAINING ACCESS TO MAJOR NEWS WEBSITES, SUCH AS CNN OR BBC, TO VIEW CURRENT INFORMATION ON IRAN, WHICH, ACCORDING TO THE INTERVIEWEES, WAS MORE IMPORTANT THAN HAVING ACCESS TO DISSIDENT WEB PAGES. IN ADDITION, SOME IRANIAN OFFICIALS HAVE QUESTIONED THE EFFECTIVENESS OF FILTERING, ACCORDING TO THE PRESS. THE DEPUTY FOR LEGAL AND PARLIAMENTARY AFFAIRS FOR THE MPTT IN LATE MAY SAID THAT CURRENTLY WEBSITES EXIST THAT OFFER A WAY AROUND FILTERING AND THE NEW RESTRICTIONS WILL NOT PROVIDE A COMPLETE BLOCK OF SITES DEEMED INAPPROPRIATE BY THE REGIME. THE INTERNET BUSINESS OWNER OFFERED HIS VIEWS ON THE ISSUE, SAYING THAT CENSORSHIP WAS NOT AN ISSUE FOR MOST INTERNET SERVICE PROVIDERS BECAUSE THEY USE FIBER

OPTIC NETWORK CONNECTIONS THROUGH DUBAI TO LONDON, WHICH TO DATE HAVE ESCAPED CENSORSHIP FROM GOVERNMENT AUTHORITIES. THE ONLY PROBLEMS OCCURRED WITH THOSE PROVIDERS RELIANT ON SATELLITE CONNECTIONS, WHICH THE GOVERNMENT COULD MORE EASILY INTERRUPT.

18. (C) THE INTERNET COMPANY OWNER, WHO WORKS BOTH IN IRAN AND THE UAE, CHARACTERIZED IRAN'S COMMUNICATIONS INFRASTRUCTURE AS 'A MESS,' AND A SERIOUS IMPEDIMENT TO FUTURE GROWTH OF THE INDUSTRY. HE SAID SERVICE PROVIDERS OFFERED ALL TYPES OF SERVICES INCLUDING DIGITAL SERVICE LINES (DSL) AND DIAL UP INTERNET CONNECTIONS, BUT OFTEN CONNECTIONS WERE UNRELIABLE. HE SAID APPLICATIONS FOR DSL CONNECTIONS TAKE UP TO NINE MONTHS FOR INSTALLATION, WHILE IN MOST WESTERN COUNTRIES, AND EVEN IN DUBAI, IT TAKES ONLY 2-4 DAYS. HE SAID THAT MANY NEW BUILDINGS BEING CONSTRUCTED IN TEHRAN DO NOT TAKE INTO ACCOUNT POTENTIAL INTERNET USAGE. USUALLY, A CONTRACTOR WILL ONLY APPLY FOR 40-50 CONNECTIONS IN A RESIDENTIAL COMPLEX OF 120 APARTMENTS, MEANING ADDITIONAL CONNECTIONS HAVE TO BE INSTALLED. ALL IN ALL HE SAID INTERNET SERVICE WAS UNEVEN, BUT THE SECTOR HAD POTENTIAL IF ITS INFRASTRUCTURE WOES WERE RESOLVED. THE ENGINEER ASSESSED IRAN'S INFRASTRUCTURE AS "OK" WITH NEW, FASTER CONNECTIONS BECOMING AVAILABLE. HOWEVER, PROBLEMS REMAINED WITH SMALLER COMPANIES WHOSE SERVERS COULD STILL BE EASILY OVERLOADED, LEAVING MOST IRANIANS WITH UNRELIABLE SERVICE.

CELLULAR COMMUNICATION IN IRAN: BUSY SIGNALS ON THE RISE

19. (C) THE INTERNET COMPANY OWNER ALSO SPOKE ABOUT IRAN'S EXPANDING MOBILE PHONE SECTOR. HE ESTIMATED THAT CURRENTLY THERE WERE MORE THAN 1.5 MILLION CELL PHONES IN TEHRAN WITH MORE BEING ADDED EVERY DAY. ACCORDING TO IRANIAN PRESS, THE MPTT IS UNDERTAKING AN EXPANSION EFFORT NATIONWIDE TO INCREASE THE NUMBER OF USERS OF THE MOBILE COMMUNICATIONS NETWORK FROM TWO TO FIVE MILLION. THE BUSINESS OWNER CONTINUED BY SAYING THAT ONE OF THE MAJOR OBSTACLES TO DOING BUSINESS WAS THE MONOPOLY ENJOYED BY THE TELECOMMUNICATIONS COMPANY OF IRAN (TCI). PRIVATIZATION TALKS WERE CURRENTLY UNDERWAY, AND ACCORDING TO AN IRANIAN CONSULTANT CONOFF SPOKE WITH IN JUNE, DEPUTY MINISTER FOR PROGRAMMING AT THE MPTT, NASROLLAH JAHANGARD, IS SUCCESSFULLY SPEARHEADING THE EFFORT TOWARDS A CONCLUSION. THE BUSINESS OWNER CONTINUED SAYING THAT TCI WAS COMPETING WITH SMALLER COMPANIES, HAVING RECENTLY SLASHED THEIR CELLULAR RATES BY UP TO 70 PERCENT, AND WERE LOOKING TO QUASH THEIR COMPETITION BEFORE PRIVATIZATION TOOK PLACE.

110. (C) THE INTERNET COMPANY OWNER ALSO SPOKE ABOUT THE CURRENT BUSINESS LANDSCAPE IN THE TELECOM SECTOR, PROBLEMS FACING THE INDUSTRY, AND THE IMPACT OF FOREIGN COMPANIES. HE SAID THE PROCESS TO START HIS BUSINESS WAS QUITE SIMPLE. IRANIAN BANKS OFFERED FAVORABLE RATES ON BUSINESS LOANS AND THE GOVERNMENT SUPPORTED NEW TELECOM COMPANIES BY NOT REQUIRING THEM TO PAY TAXES. HOWEVER, HE WAS PESSIMISTIC ABOUT THE NEXT TWO YEARS BECAUSE THE IRANIAN MARKET WAS VIRTUALLY CLOSED AND FEW OPPORTUNITIES EXISTED FOR IRANIAN COMPANIES TO EXPAND INTO OVERSEAS MARKETS. ONE MAJOR PROBLEM WITHIN THE INDUSTRY WAS POOR PLANNING RELATED TO CELL PHONE TOWERS. THERE WERE NOT ENOUGH OF THEM, WHICH IN TURN, PROVIDED POOR CONNECTIONS AND NOT ENOUGH COVERAGE FOR THE VOLUME OF DEMAND. HE ALSO LAMENTED THE FOREIGN COMPETITION IRANIAN COMPANIES HAD TO FACE. CURRENTLY MODELS FROM FOREIGN COMPANIES SUCH AS NOKIA AND ERICSSON WERE VERY POPULAR, AND COMPANIES FROM CHINA AND KOREA (SAMSUNG) WERE DOMINATING THE IRANIAN MARKET. IN ADDITION, EUROPEAN MANUFACTURERS SUCH AS NOKIA AND ERICSSON HAD RECENTLY WON A CONCESSION FROM TCI TO MANUFACTURE AND DISTRIBUTE SIM CARDS UNDER THEIR OWN BRAND NAME IN IRAN, GIVING THEM A STRONGER PRESENCE WITHIN THE DOMESTIC MARKET.

NO HOLDING BACK THE TIDE

¶11. (C) COMMENT: IRANIANS ARE DETERMINED TO LEAP INTO THE INFORMATION AGE, DESPITE THE REGIME'S HESITATION, BY FULLY EMBRACING MODERN TECHNOLOGIES SUCH AS THE INTERNET AND MOBILE PHONES. IRAN IS EXPANDING ITS INTERNET AND MOBILE PHONE SYSTEMS WITH THE ONLY OBSTACLE BEING THEIR OWN INFRASTRUCTURE. THESE UPGRADES WILL REQUIRE SIGNIFICANT INVESTMENTS OF MONEY AND TECHNICAL EXPERTISE TO RECTIFY, BUT IT CAN BE DONE. CONSERVATIVE ELEMENTS OF THE GOVERNMENT, HOWEVER, APPEAR DETERMINED TO STEM THE FREE FLOW OF INFORMATION. THEIR FOCUS IS ON THOSE WEBSITES ESPOUSING ALTERNATIVES TO THE CURRENT REGIME, BUT BASED ON INTERVIEWEES' ACCOUNTS THEY ARE FIGHTING A LOSING BATTLE. TECHNICAL SHORTCOMINGS PREVENT BLOCKING "PROHIBITED" SITES ENTIRELY, AND MOST IRANIANS CONOFF SPOKE WITH ARE GETTING THE NEWS THEY WANT DESPITE TEHRAN'S EFFORTS. TEHRAN COULD EXPAND FILTERING TO INCLUDE MAINSTREAM DOMESTIC AND WESTERN-BASED MEDIA SITES OR PROHIBIT INTERNET ACCESS ALL TOGETHER. HOWEVER, SUCH STEPS WOULD LIKELY ENGENDER A BACKLASH FROM INTELLECTUALS, STUDENTS, AND OTHER MIDDLE- TO UPPER-CLASS IRANIANS WHO HAVE COME TO SEE MODERN COMMUNICATIONS METHODS AS CENTRAL TO DAILY LIFE. END COMMENT.

LANCIA